

Message Text

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ACTION ARA-10

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R 041418Z FEB 76

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 5968

C O N F I D E N T I A L SANTO DOMINGO 539

FROM AMBASSADOR

E.O. 11652: GDS

TAGS: EFIN, EAGR, DR

SUBJ: ON A CLEAR DAY YOU CAN SEE FOREVER (WHEN GREEN EYE SHADES
ARE REMOVED)

REF: SANTO DOMINGO 512

1. NOW THAT I'VE HAD FOREIGN MATTER REMOVED FROM A KIDNEY,
I'D LIKE TO GET SOMETHING OFF MY CHEST AS WELL. I'D LIKE TO
QUESTION ONCE AGAIN THE WISDOM OF THE TACTICS WASHINGTON IS
APPLYING TO COLLECT PL 480 ARREARAGES. HAVING A MILD AND
FORGIVING NATURE, I SHALL LEAVE ASIDE THE FAILURE OF CERTAIN
WASHINGTON AGENCIES TO HONOR AN UNDERSTANDING THAT IF AN
ACCEPTABLE ARRANGEMENT WITH THE GODR FOR PAYING ITS PL 480
ARREARAGES WERE REACHED, THE BALANCE (\$28 MILLION) OF
THE PROMISED FORTY MILLION OF CCC CREDITS WOULD BE MADE
AVAILABLE; INSTEAD ONLY EIGHT MILLION WAS MADE AVAILABLE,
RESULTING IN REDUCTION IN US CREDIBILITY AND SOME PERSONAL
EMBARRASSMENT. RATHER THAN HARP ON SUCH ASPECTS, I PREFER
TO RISE ABOVE THE OUTLOOK OF THE GREE EYE-SHADED ACCOUNTANTS.

2. ONE OBTAINS THE IMPRESSION HERE THAT WASHINGTON AGENCIES
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BELIEVE THAT THE GODR IS NOT GOING TO PAY ITS PL 480 ARREARAGES

AND THAT ONLY BY USING SOME OF ITS REQUESTS FOR ASSISTANCE (CCC CREDITS, IDB LOANS) AS LEVERAGE CAN THEY BE FORCED TO PAY. IF SO, THE PREMISE IS WRONG AND THE TACTIC IS PROBABLY GOING TO BACKFIRE. THIS BECOMES GLARINGLY EVIDENT WHEN ON THE ONE HAND WASHINGTON HOLDS BACK ON A PROMISED \$20 MILLION CCC CREDIT AS A LEVER TO OBTAIN PAYMENT ON PL 480 ARREARS AND AT THE SAME TIME SENDS TO THE DOMINICAN REPUBLIC, AS IT DID LAST WEEK, USDA OFFICIALS URGING DOMINICAN OFFICIALS TO PURCHASE MORE CCC PRODUCTS, WHICH WOULD HELP THE PITIFUL PLIGHT OF THE US FARMER. SOME MIGHT CHARACTERIZE SUCH ACTIONS AS INCONSISTENT; OTHERS MIGHT CALL IT "CHUTZPAH". (FOR THOSE ADDRESSEES WHO LACK A 3-3 RATING IN YIDDISH, "CHUTZPAH" IS SOMETIMES DEFINED BY THE EXAMPLE OF THE YOUNG MAN WHO MURDERS HIS MOTHER AND FATHER AND THEN BEGS MERCY FROM THE COURT ON THE GROUNDS THAT HE IS AN ORPHAN). IT IS DIFFICULT TO UNDERSTAND THE LOGIC OF A POSITION WHEREBY WASHINGTON, IN RESPONSE TO A FRIENDLY NATION'S REQUEST FOR FOODSTUFFS (THAT IT DESPERATELY NEEDS FOR A HUNGRY PEOPLE AS A RESULT OF A SERIOUS DROUGHT) REQUIRES FIRST THAT CERTAIN BILLS BE PAID (IT IS SO UNLIKE OUR USUALLY GENEROUS POSTURE TOWARD DISASTERS OR NEAR-DISASTERS) AND, ON THE OTHER HAND, ASKS THAT SAME NATION TO ASSIST OUR POOR FARMERS BY PURCHASING MORE CCC PRODUCTS (NO MENTION NOW IS MADE OF FIRST PAYING DEBTS). I WOULD WELCOME WASHINGTON'S CLARIFICATION.

3. ANOTHER INCONSISTENCY: WE HOLD BACK ON CCC CREDITS, THEREBY FORCING THE GODR TO USE CURRENTLY SCARCE FOREIGN EXCHANGE TO PURCHASE THE PRODUCTS IT NEEDS ON THE COMMERCIAL MARKET. CONSEQUENTLY, IT HAS LESS RESOURCES AVAILABLE NOW TO PAY ITS PL 480 ARREARAGES AND IS MORE RELUCTANT TO TAKE ON MORE CCC INDEBTEDNESS AND THUS ASSUAGE THE PLIGHT OF THE US FARMER.

4. MOREOVER, WHEN WE INFORM THE GODR THAT THEY CAN OBTAIN FROM US WHAT THEY WANT ONLY BY FIRST CLEARING UP ARREARAGES, DOMINCANS TEND TO GET THE IDEA THAT THE ONLY TIME THEY ARE OBLIGED TO PAY DEBTS IS WHEN THEY WANT SOMETHING FROM US. IN OTHER WORDS, SOME OFFICALS TRY TO PUT THE SHOE ON OUR FOOT BY MAINTAINING THAT THEY WILL PAY US IF WE AGREE TO GIVE THEM XYZ. MY PREDECESSOR EXPERIENCED THIS IN HIS ANNUAL PL 480 NEGOTIATIONS. THESE OFFICIALS ARE NOT GOING TO GET AWAY WITH SUCH A LINE BUT WASHINGTON'S POSITION UNNECESSARILY COMPLICATES LIFE.

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5. WASHINGTON'S POSITION MAY ALSO PROVE COUNTER-PRODUCTIVE TO OTHER US INTERESTS HERE. WE ESTIMATE CONSERVATIVELY THAT THE DOMINICAN BALANCE OF PAYMENTS GAP FOR 1976 WILL BE DOLLARS 100 MILLION (MORE LIKELY DOLLARS 150 MILLION), JUST ABOUT THE INCREASED COST OF PETROLEUM. OUR TACTICS FOR PAYMENT OF ARREARAGES ARE ADDING TO THE PRESSURES ON THE GODR. SUCH PRESSURES ARE MOTIVATING THE GODR TO CALLUP FOR RENEGOTIATION ITS CONTRACTS

WITH SEVERAL LARGE US COMPANIES WHICH ARE CONSEQUENTLY GOING TO PAY MORE TO THE GODR AND LESS TO THE US TREASURY BECAUSE OF REDUCED PROFITS. FURTHER, WASHINGTON'S ATTITUDE AND TACTICS ARE TENDING TO ACCELERATE THE DOMINICANS' SUSCEPTIBILITY TO VENEZUELAN MANEUVERS. A DOMINICAN TEAM SOON DEPARTS FOR CARACAS TO SEEK TO DIMINISH THE FOREIGN EXCHANGE GAP. AS WASHINGTON KNOWS, THE VENEZUELAN ARE HARD BARGAINERS AND ARE VIGOROUSLY TRYING TO ESTABLISH THEMSELVES IN THE DOMINICAN REPUBLIC, THE ONE CARIBBEAN BRIGHT SPOT ATTRACTIVE TO THAT NATION WITH CARIBBEAN AMBITIONS. SHOULD VENEZUELAN SUCCEED IN WORKING OUT A DEAL WITH THE GODR THAT RESULTS IN SUBSTANTIAL VENEZUELAN INVESTMENT HERE, IT WILL LIKELY BE TO THE DETRIMENT OF US COMMERCE AND INVESTMENT IN THE DOMREP.

6. WHAT THEN SHOULD BE US POLICY TOWARD DOMINICAN PL 480 ARREARAGES? FIRST, IT SHOULD BE CLEAR THAT I AM NOT RPT NOT SUGGESTING THAT THESE DEBTS BE FORGIVEN, ALTHOUGH I AM MINDFUL OF HOW MANY MILLIONS OF DOLLARS IN PL 480 INDEBTEDNESS HAVE BEEN FORGIVEN IN THE PAST ELSEWHERE. THESE ARE HONEST DEBTS THAT SHOULD (AND IN MY JUDGMENT WILL) BE PAID. SECOND, WE REGARD THE GODR AS A "SLOW PAYER BUT GOOD FOR IT." IT DOES NOT INTEND TO RENEGE ON THESE DEBTS. THIRD, THIS EMBASSY CAN PERSUADE THE GODR TO PAY, WITHOUT THE WASHINGTON PRESSURE TACTIC OF WITHHOLDING THAT IN WHICH THE GODR HAS SHOWN INTEREST--A TACTIC WHICH I REPEAT RUNS THE RISK OF BEING COUNTER-PRODUCTIVE. WASHINGTON AGENCIES WILL RECALL THAT, WHEN SOME EIGHTEEN MONTHS AGO OR SO THE EMBASSY WAS INFORMED THAT THE GODR WAS ABOUT DOLLARS FIVE MILLION IN PL 480 ARREARS, A REPAYMENT SCHEDULE OF DOLLARS ONE MILLION A MONTH WAS ARRANGED WITH PRESIDENT BALAGUER AND IT TOOK HIM ABOUT SEVEN MONTHS TO COMPLETE PAYMENT (NOT A BAD RECORD). THIS WAS ACCOMPLISHED WITHOUT THREATS OF WITHHOLDING CCC, IDB LOANS ETC. I STRONGLY RECOMMEND THAT WE RETURN TO THAT PRACTICE AND THAT THE EMBASSY BE PERMITTED TO DETERMINE CONFIDENTIAL

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WHEN AND HOW TO PRESSURE THE GODR INTO REPAYMENT.

7. WASHINGTON OFFICIALS MAKE MUCH OF THE ARGUMENT THAT CONGRESSIONAL PRESSURE REQUIRES THAT WE INSIST UPON FULL AND TIMELY PAYMENT. I USED TO SPEND A FAIR AMOUNT OF TIME ON THE HILL TESTIFYING, BRIEFING AND OTHERWISE DEALING WITH NUMEROUS CONGRESSMEN. ON THE WHOLE I FOUND THEM TO BE INTELLIGENT AND, WHEN US INTERESTS WERE MADE CLEAR, UNDERSTANDING. IF CONGRESSMEN WERE MADE AWARE OF THE RISK TO CERTAIN SPECIFIC US INTERESTS HERE OF CONTINUING WITH PRESENT TACTICS I BELIEVE THEY WOULD SHOW UNDERSTANDING. ANYWAY, IT IS WORTH A TRY.

8. IN SHORT, MY PLEA, NOW THAT I'VE GOT IT OFF MY CHEST, IS THAT WASHINGTON GET OFF OUR BACK AND LET US GET THE ARREARAGES CLEARED UP IN OUR OWN WAY AND WITH OUR JUDGMENT OF THE TIMING

THAT THE LOCAL SITUATION WILL BEAR WITHOUT BACKLASH ON OTHER US
INTERESTS.
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